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FM AIT TAIPEI
TO RUEHC/SECSTATE WASHDC IMMEDIATE 3676
INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 6178
RUEHRL/AMEMBASSY BERLIN PRIORITY 0158
RUEHBY/AMEMBASSY CANBERRA PRIORITY 4409
RUEHLO/AMEMBASSY LONDON PRIORITY 0186
RUEHGP/AMEMBASSY SINGAPORE PRIORITY 6743
RUEHTC/AMEMBASSY THE HAGUE PRIORITY 0310
RUEHKO/AMEMBASSY TOKYO PRIORITY 8355
RUEHGZ/AMCONSUL GUANGZHOU PRIORITY 9867
RUEHHK/AMCONSUL HONG KONG PRIORITY 7410
RUEHOK/AMCONSUL OSAKA KOBE PRIORITY 0410
RUEHGH/AMCONSUL SHANGHAI PRIORITY 0686
RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RHMFIISS/HQ BICE WASHINGTON DC PRIORITY

S E C R E T SECTION 01 OF 02 TAIPEI 000072

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STATE FOR EAP/TC AND ISN/MTR

E.O. 12958: DECL: 01/11/2027
TAGS: [ETTC](#) [PARM](#) [KNNP](#) [NK](#) [TW](#) [SN](#)
SUBJECT: MTAG: TRANS MERITS LATHES FROM TAIWAN

REF: A. STATE 1077
 [B.](#) STATE 1501
 [C.](#) TAIPEI 17
 [D.](#) SINGAPORE 27

Classified By: AIT Econ AC Timothy Neely, 1.4 B/C

[¶](#)11. (S) Summary: AIT Econ delivered ref A comments and ref B demarche to Bureau of Foreign Trade (BOFT) export control task force head Wally Su (Shi-hwa) on January 8, 2007. Su provided initial results of the BOFT investigation into precision lathes exported by Trans Merits and subsequently seized by Singapore officials at U.S. request (ref C). Su later provided initial results from the BOFT investigation of ref B information on the Your Faith Trading Company. End summary.

BOFT Gives Details on Trans Merits

[¶](#)12. (S) BOFT's Wally Su gave AIT Econ detailed information on the ref C Trans Merits transaction including copies of the export manifest showing the Directorate of Yanmar Industrial Planning as the end-user of the precision lathes, webpages of the Myanmar Ministry of Industry showing the types of products that might be manufactured by the lathes, detailed specifications of the lathes indicating two-axis maximum precision of 0.02 mm, bill of lading showing the Directorate of Myanmar Industrial Planning as the consignee, and a copy of the sales contract between Trans Merits and the Directorate of Myanmar Industrial Planning. Su said it appeared the lathes were not strategic high-tech commodities (SHTC), that the end-user was not on any blacklist, and that nothing uncovered so far indicated any violation of export control regulations or laws. BOFT has forwarded the case to the Industrial Technology Research Institute for a definitive classification of the machines.

Interview with Trans Merits Chairman

[¶](#)13. (S) In spite of the lack of evidence of wrongdoing, Su said it was still possible that Trans Merits knew the lathes

would be transferred to a North Korean entity. To explore that possibility Su requested that Trans Merits Chairman Tsai Hsien-tai come to the BOFT offices in Taipei to answer questions on January 5. Su said that during the questioning he asked Tsai repeatedly about any trade links between Trans Merits and North Korean entities. Tsai admitted that he had heard that "a couple of years ago" some of Trans Merits exports to China were re-exported to North Korea. Since then, Tsai said, Trans Merits has been cautious to avoid any improper conduct.

¶4. (S) Su told AIT Econ that he had a positive impression of Chairman Tsai as a conservative, cautious businessman of about 60 years of age, who formally had worked for Taiwan Customs, understood export regulations, seemed open and complete in his answers, and sincere in his stated desire to abide by regulations and cooperate in any investigation.

¶5. (S) According to Su, Tsai said that Trans Merits has been doing business with the Directorate of Myanmar Industrial Planning for several years and had previously exported refrigerators and small electrical appliances to the Directorate. Su noted that Trans Merits was a large, reputable trading company that had sent two company representatives to the BOFT outreach sessions on export control in August 2006. Su said he still thought it might be possible that the Directorate of Myanmar Industrial Planning was planning to transfer the lathes to a North Korean entity, but he did not believe the Trans Merits Chairman had knowledge of any such arrangement.

¶6. (S) Su thanked AIT for the responses given in ref A.

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Later, he reported to AIT that according to BOFT records, from January-November 2006 the Your Faith Trading Company of Tainan did not export any products.
YOUNG